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Message Text

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ACTION NEA-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-11 INR-10 LAB-06

NSAE-00 PA-04 RSC-01 SIL-01 USIA-15 PRS-01 SS-20

NSC-10 DRC-01 /093 W
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FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 8704
INFO AMCGESUL BOMBAY

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E.O. 11652: N/A
TAGS: BEXP, IN
SUBJ: U.S. TRADE MISSIONS TO INDIA

REF: STATE 246739 (NOTAL

FOR ASSISTANT SECRETARY ARMSTRONG FROM AMBASSADOR MOYNIHAN

1. I FULLY AGREE WITH THE EMPHASIS IN YOUR CABLE. WE WILL DEMONSTRATE U.S. BUSINESS INTERESTS INDIA BY PROMOTING THE TWO SPECIALIZED TRADE MISSIONS WHICH COMMERCE IS SENDING OUT EARLY NEXT YEAR. IF THEY GET A GOOD RECEPTION FROM THE GOI AND ARE ABLE TO DO SOME SUBSTANTIAL BUSINESS, WE WILL HAVE MOVED A STEP FARTHER TOWARD PUTING SUBSTANCE IN INDO-U.S. RELATIONS. WE ARE NOW WORKING TO LINE UP GOVERNMENT AND PRIVATE SECTOR CONTACTS FOR THE MISSIONS. THE TECHNIQUES WE USED WITH THE RAILWAY MISSION SHOULD WORK EQUALLY WELL IN THE FIELDS OF POWER GENERATION AND TEXTILE MACHINERY, ESPECIALLY IF WE GET SUFFICIENT ADVANCE NOTICE OF THE FIRMS TO BE REPRESENTED AND THE PRODUCT LINES INVOLVED.

2. WHILE THE SPECIALIZED TRADE MISSION ROUTE IS CERTAINLY THE WAY TO PROMOTE INCREASED TRADE, MAHINDRA'S AND THE INDO-AMERICAN CHAMBER OF COMMERCE'S OBJECTIVE IS OF COURSE
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MAHINDRA AND SOME OTHER INDIAN BUSINESSMEN BELIEVE THAT MRS. GANDHI HAS FOUND PREVIOUS ECONOMIC POLICIES TO BE UNSATISFACTORY, AND THAT SHE IS GROPING AROUND FOR A CHANGE IN ECONOMIC DIRECTION, PERHAPS TOWARD GREATER EMPHASIS ON PRIVATE INVESTMENT. MAHINDRA BELIEVES THAT MRS. GANDHI WOULD MEET WITH A HIGH-LEVEL TEAM OF U.S. PRIVATE BUSINESSMEN AND THIS WOULD REINFORCE HER WILLINGNESS TO SHIFT INDIAN POLICY TOWARDS A GREATER RELIANCE ON THE PRIVATE SECTOR. OBVIOUSLY, A TEXTILE OR POWER GENERATING MACHINE TEAM CANNOT SERVE THIS SAME BROAD POLICY PURPOSE.

3. TIKKI KAUL PICKED UP THIS IDEA WITH HIS OWN CREATIONS. HE AND I HAVE AGREED TO A "BUSINESS INTERNATIONAL ROUND TABLE", MEETING (LED BY ORVILLE FREEMAN) TO MEET HERE LATE IN 1974. THE OBJECTIVE WOULD BE MAXIMUM PUBLICITY FOR INDIA'S WILLINGNESS TO ACCEPT PRIVATE FOREIGN INVESTMENT, EJ WELL AS PERHAPS TO PROMOTE BILATERAL INTERNATIONAL TRADE. IF THIS INTIAL MEETING WERE SUCCESSFUL, IT WOULD BE FOLLOWED UP BY A SECOND VISIT OF LEADING U.S. BUSINESSMEN WHO WOULD LOOK INTO ACTUAL INVESTMENT POSSIBILITIES. KAUL IS CURRENTLY DISCUSSING THIS SUBJECT WITH GOI OFFICIALS AND HAS RAISED THE MATTER WITH THE PRIME MINISTER WHO REPORTEDLY RESPONDED THAT SHE SAW NO PROBLEMS WITH FOREIGN INVESTMENT SO LONG AS IT CONFORMED TO INDIAN POLICY WHICH MAY OR MAY NOT BE A WAY OF SAYING THAT POLICY IS CHANGING SOMEWHAT.

4. ALL OF THIS MAY SOUND VERY UNREAL, AND INDEED IT IS. I HAVE TOLD MAHINDRA THAT I CANNOT ENVISAGE GOI POLICY CHANGING AS A RESULT OF A HIGH-LEVEL U.S. VISIT. U.S. FOREIGN INVESTORS ARE ACCUSTOMED TO BEING COURTED AROUND THE WORLD. NEITHER THEY, NOR WE, ARE INTERESTED IN BECOMING INVOLVED IN THE HIGHLY UNLIKELY PROSPECT OF VISITING INDIA IN ORDER TO CONVINCE THE INDIANS WHAT IS GOOD FOR INDIA. INDIAN INVESTMENT POLICY MAY BE CHANGING AND IT CERTAINLY TAKES TIME BOTH IN INDIA AND THE UNITED STATES FOR THE BUREAUCRACY TO RECEIVE ANY MESSAGE. HOWEVER, WE HAVE NO VISIBLE EVIDENCE OF THIS. THE RECENT REGULATIONS, NEW DELHI'S 15109, DO NOT GIVE US MUCH HOPE FOR SPEEDY FAVORABLE CHANGES IN POLICY.

5. BECAUSE OF THIS, I BELIEVE WE SHOULD FOLLOW A CAREFUL TWO
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STAGE APPROACH. FIRST, EVEN AT THIS UNCERTAIN STAGE I BELIEVE IT WOULD BE USEFUL TO EXPOSE INDIAN AND U.S. BUSINESSMEN TO EACH OTHER AND I HAVE TOLD ORVILLE FREEMAN THAT A VISIT FROM "BUSINESS INTERNATIONAL" NEXT NOVEMBER WOULD BE MOST WELCOME. I CANNOT MAKE A JUDGEMENT FROM HERE ON THE ADVA TAGES OR DISADVANTAGES OF THE AMERICAN CHAMBER OF COMMERCE PARTICIPATING IN THE "BUSINESS INTERNATIONAL" MEETING. I SEE NO NEED FOR SUCH PARTICIPATION, BUT IF IT IS DESIRED BY BOTH ORGANIZATIONS,

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IT IS FINE WITH ME.

6. THE TIMING AND CONTEXT OF THE SECOND STAGE WILL DEPEND ON THE OUTCOME OF THE FIRST. IF THE BUSINESS INTERNATIONAL "GETTING TO KNOW EACH OTHER" PROCESS HAS BEEN SUCCESSFUL WE SHOULD FAIRLY QUICKLY MOVE ON TO ACTIVATING THE HIGH LEVEL BUSINESSMEN APPROACH. IF STAGE ONE HAS BEEN LUKEWARM OR UNSUCCESSFUL WE MIGHT WISH TO POSTPONE STAGE TWO. TO SUM UP, LET'S GET THE BUSINESS INTERNATIONAL APPROACH UNDERWAY AND LOOK AT WHAT FOLLOWS LATER.

7. WHAT ELSE SHOULD WE BE DOING? MY INCLINATION IS TO TAKE ONE OR TWO EXISTING SPECIFIC INVESTMENT PROPOSALS WHICH HAVE BEEN DISCUSSED WITH US AND BRING THEM TO HIGH-LEVEL ATTENTION HERE. IF THEY MOVE AHEAD, WE HAVE SET THE PATTERN FOR FUTURE INVESTMENTS. IF NOT, WE WILL BE THAT MUCH THE WISER. I SHALL KEEP YOU INFORMED AS WE GO DOWN THIS PATH.
MOYNIHAN

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